SUBCOMMITTEE #3:
Health & Human Services

Chair, Senator Mark DeSaulnier

Senator Elaine K. Alquist
Senator Bill Emmerson

April 19, 2012

9:30 a.m. *or*
Upon Adjournment of Session

Room 4203
(John L. Burton Hearing Room)

Staff: Jennifer Troia

Item	**Department**
0530	Health & Human Services Agency, Office of Systems Integration
5180	Department of Social Services

PLEASE NOTE:

Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate File for dates and times of subsequent hearings. Issues will be discussed in the order noted in the Agenda unless otherwise directed by the Chair.

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VOTE-ONLY AGENDA

Department of Social Services

Fingerprint Licensing Fee Exemption

Budget Issue: The Governor's budget proposes to avoid $1.4 million GF annually by permanently allowing the Departments of Justice and Social Services to charge fingerprinting fees (currently set at $35) to applicants for a license to operate a small community care facility (other than a foster family home) or a family day care facility. The fingerprinting is part of a criminal background check used to help ensure the safety of clients receiving care. Each year since 2003-04, the Legislature and Governor have amended the law to temporarily lift a statutory prohibition on charging the fee to the applicants (as opposed to absorbing its costs).

Staff Comment & Recommendation: Staff recommends that the Subcommittee approve the Administration's proposal to the extent that it continues to lift the statutory prohibition on charging this fee in 2012-13, but reject the proposal to make that change permanent.

Proposed Changes to Distribution of Child Health & Safety Fund

Budget Issue: The budget proposes savings of $501,000 GF from trailer bill language to redirect revenues collected through a specialized license plate program to fund additional DSS licensing activities related to children's day care programs. These resources would otherwise be used to prevent unintentional injuries to children, such as drowning or poisoning.

AB 3087 (Chapter 1316, Statutes of 1992) established the *Have a Heart, Be a Star, Help Our Kids* specialized license plate program. Revenues from these license plate fees, totaling $4.1 million in 2009-10 and $4.0 million in 2010-11, are deposited into the Child Health & Safety Fund. State law (Welfare & Institutions Code Sections 18285 and 18285.5) specifies how those revenues are distributed. Currently, the first 50 percent supports specific DSS responsibilities for child day care licensing. Of the remaining 50 percent, up to 25 percent supports child abuse prevention and the rest supports programs that address injury prevention. Under the Governor's proposal, those remaining funds would instead be used for additional day care licensing activities, as well as injury prevention efforts.

Staff Comment & Recommendation: Staff recommends that the Subcommittee approve the proposed trailer bill language to redirect a portion of the Child Health & Safety Fund revenues.

DISCUSSION AGENDA

CHILD WELFARE SERVICES

Overview of Child Welfare Services (CWS) and Adoptions Programs

Total Budget for CWS: The CWS system includes child abuse prevention, emergency response to allegations of abuse and neglect, supports for family maintenance and reunification, and out-of-home foster care. The system includes federal, state, and county agencies, juvenile courts, and private providers of care and services. Federal and state laws establish the legal, regulatory, and fiscal frameworks that govern the roles and responsibilities of these entities and individuals. In general, CWS programs are some of the more highly regulated among federally supported human services programs.

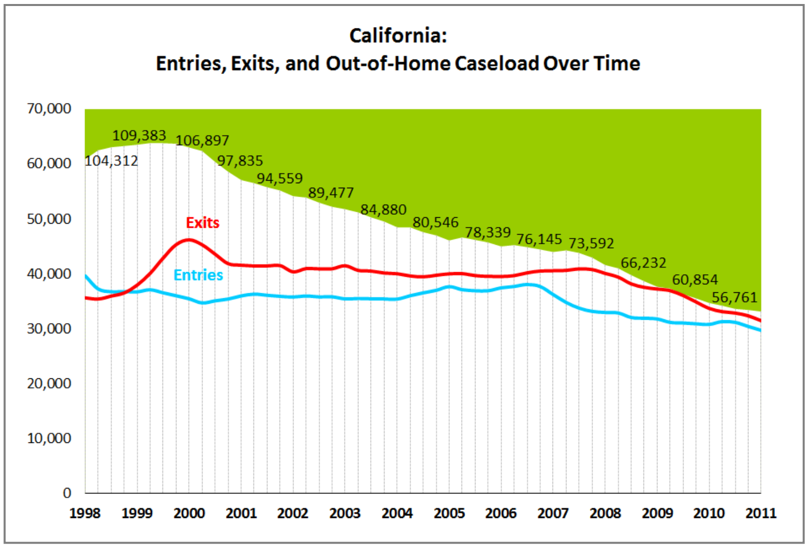
The total 2011-12 budget for CWS (excluding Adoptions) is $5.2 billion [$2.5 billion federal funds, $1.6 billion 2011 realignment funds, and $1.1 billion county funds]. Around half of those funds support counties to administer or provide these programs and half support payments to families and other providers of foster care.

Total Budget for Adoptions Programs: The total 2011-12 budget for adoptions programs includes $121 million ($64 million 2011 realignment funding). DSS regulates, provides oversight, and maintains records for: 1) adoptions that occur through public agencies, 2) adoptions that occur through private agencies, 3) independent adoptions that are handled by a private attorney, and 4) adoptions of children from other countries. Before the 2011 realignment, there were seven DSS district offices that also directly provided agency adoption services to 28 counties and independent adoption services to 55 counties. The remaining counties were licensed by DSS to provide those services directly.

Caseload Trends:[1] In 2011, county child abuse hotlines received calls from mandated reporters of abuse or neglect or other concerned individuals regarding 476,000 children (out of 9.3 million estimated to be living in the state). By the end of the year, 85,000 of those referrals were ultimately determined to be "substantiated". In many cases, the issues were resolved after families participated in services or took other remedying actions. In close to 30,000 cases, however, the agency removed children from their homes and the children became dependents of the court.

[1] Data in this agenda on caseload and characteristics from *Child Welfare Services Reports for California*. Retrieved 4/7/2012, from University of California at Berkeley Center for Social Services Research website. URL: http://cssr.berkeley.edu/ucb_childwelfare.

As illustrated below, the number of children in out-of-home foster care in California has dropped every year since 1998. On October 1, 1998, there were approximately 117,000 children in foster care in California. By that same time in 2011, the caseload was close to half of that figure. An additional 8,400 children in 1998 and 4,600 children on in 2011 were in foster care under the supervision of probation departments as a result of their juvenile delinquency status. The Department attributes much of the caseload decline to upfront efforts to prevent the need for out-of-home care and back-end efforts to find permanence for children in care more quickly, including initiatives related to adoption and the support of relative guardianships through the state's Kinship Guardianship Assistance Payments (Kin-GAP) program.



A Few Characteristics of Children In Foster Care: As of January 2012, 61 percent of children in foster care had been in care for less than two years, while 17 percent had been in care for longer than five years. Nearly half were identified as Hispanic/Latino, while a quarter were identified as White/Caucasian and nearly a quarter as Black. A smaller number were identified as Asian/Pacific Islander (2 percent) and Native American (one percent).[2]

Exits from Foster Care: More than half of children exiting foster care are reunified with their parents or other caregivers. Around 18 percent are adopted. Another 14 percent emancipate into adulthood and seven percent enter into a guardian's care. The rates of adoption are higher for children under the age of 6 and rates of guardianship are higher for children aged six to 15 years old.

[2] Compared to the overall population of children in California, this reflects over-representation of children identified as Black (24 percent in foster care compared with 6 percent in the state) and under-representation of children identified as Hispanic/Latino and White/Caucasian (47 compared to 54 percent and 25 compared to 29 percent, respectively). Children identified as Native American are also over-represented (two compared to less than one percent), while Asian/Pacific Islanders are under-represented (two percent in foster care compared with 11 percent in the state). There are a number of federal, state, and local initiatives that include work to reduce these disproportionalities and other identified disparities.

Performance Measures & Accountability: The federal Administration for Children and Families (ACF) conducts Child & Family Services Reviews (CFSRs) of states' child welfare systems, which include assessments of compliance with outcome measures related to the safety, permanency, and well-being experienced by children and families who come into contact with CWS, as well as systemic factors. ACF performed its most recent CFSR in California in 2008. The state did not achieve substantial conformity (compliance in 95 percent of cases) with any of the outcome measures, but did achieve substantial conformity with three out of seven systemic factors. According to ACF, challenges included high caseloads and turnover of social workers, an insufficient number of foster homes and lack of caregiver support and training, a lack of statewide implementation of practice innovations, and a lack of needed services (e.g., mental health and substance abuse treatment).

In response, DSS developed a Program Improvement Plan (PIP) to improve outcomes and hopefully avoid federal fiscal penalties. The state's PIP included goals for expanding or strengthening a number of practices, including efforts to support permanency across a child's time in foster care and to improve caregiver recruitment, training, and support, as well as staff and supervisor training. Beginning in 2009-10 [with $22.2 million ($12.7 million GF) that year], the budget has included resources to support some of the PIP's goals. The Department indicates that the state has now met its targets for improvement, except with respect to placement stability. If the state fails to meet its target for improvements in placement stability by July 1, 2012, it may incur a penalty of up to $10 million GF (although the penalty is not likely to exceed $5 million GF in 2011-12 or 2012-13).

The Child Welfare System Improvement and Accountability Act (AB 636, Chapter 678, Statutes of 2001) also created a statewide accountability system that became effective in 2004. It includes 14 performance indicators related to safety, permanency, and well-being. All 58 counties receive quarterly reports on their outcomes, conduct self-assessments, and develop System Improvement Plans (SIPs). Counties that are not in compliance receive technical assistance from teams of state and peer-county administrators. If DSS determines that a county is "substantially failing" to comply, the department can notify the local welfare director and Board of Supervisors and allow time for corrective action. If that fails to resolve the issues, the DSS director can bring seek injunctive relief or take administrative actions, such as imposing sanctions, withholding funds, or directly assuming temporary responsibility for administering the county's programs. Since the enactment of AB 636, DSS has not sought injunctive relief or imposed any of these administrative sanctions.

Recent Budget Actions: In 2009-10, the Legislature and Governor made ongoing reductions of around $36.5 million GF (and in some cases additional corresponding federal funds) in the CWS system. The reductions that took effect impacted costs for the automated system that supports CWS, the Transitional Housing Program Plus, AAP payments, and FFA rates. A 10 percent reduction in the rates paid to group homes did not, however, take effect as a result of litigation. When Governor Schwarzenegger signed the budget in 2009, he also used a line-item veto to make an unallocated reduction of $80.0 million GF (as well as any matching funds lost as a result) to CWS and foster care. The Legislature restored this funding in the 2010-11 budget, but it was again vetoed by the Governor.

The 2010-11 budget also included $51.7 million GF and the 2011-12 budget included $17.4 million GF for court-ordered increases to group home monthly payment rates and foster family and related monthly payment rates, respectively. As discussed in greater detail later in this agenda, the 2011-12 budget also realigned $1.6 billion in state funding for the CWS, foster care, and adoptions programs, to the counties.

Staff Comment and Recommendation: This is an informational item, and no action is required.

Questions for DSS:

1) What are some factors that led to the declining foster care caseload over the last decade or two? How are caseload trends expected to look in the near future?

2) Please summarize the Program Improvement Plan (PIP) process and the state's progress to date on meeting its goals. What challenges do we continue to face? What are the potential penalties if the state's performance does not improve sufficiently?

2011 Realignment of CWS and Adoptions Programs

Budget Issue: The 2011 public safety realignment package included realignment of approximately $1.6 billion in funding and responsibility for California's Child Welfare Services (CWS) and adoptions programs to the counties. The General Fund (GF) resources that became realignment funding reflected state costs for the following programs (many of which have other matching funding as well):

Program	Description	Realignment Funds (Formerly GF) In 2011-12 Budget
Child Welfare Services	Services to ensure the safety of children, including emergency response to allegations of abuse or neglect	$670 million
Foster Care	Administration of and monthly assistance payments for out-of-home care and supervision	$433 million
Adoption Assistance Program (AAP)	Monthly assistance payments to families who have adopted children who meet specified criteria for special needs	$387 million
Adoptions Programs	Adoption-related services, oversight, and record-keeping	$64 million[3]
Child Abuse Prevention	Efforts to prevent abuse and neglect and increase public awareness	$13 million

Funding for a limited number of CWS-related programs or activities, including the automation system that supports CWS, Tribal-State IV-E agreements, and the licensing of children's residential placements, was not included in the realignment. Additionally, for the first year of implementation in 2011-12, no changes were made to state law governing CWS and adoptions programs.

Before the 2011 realignment, non-federal costs for these programs were shared by the state and counties in various ratios--with the highest county share of 60 percent for foster care and lowest of 25 percent in AAP. Under the 2011 realignment, all non-federal costs are instead funded by specified revenues (a percent of the existing state sales tax and vehicle license fee revenues) that are directed to the counties. One result of this redirection is that the state no longer counts those revenues toward calculation of the minimum level of funding for education that is guaranteed under law enacted by a 1988 ballot initiative (Proposition 98).

[3] These costs do not include $6 million associated with Agency Adoptions.

While the revenue stream for the 2011 public safety realignment is ongoing, the program-specific allocations of the revenue were specified for only 2011-12. For CWS and adoptions programs, the resulting county-specific allocations for that year were developed by the Administration in consultation with counties and intended to be consistent with how they would have been distributed before this new realignment. Under this model, for CWS, the base funding counties receive is tied to social worker caseload standards originally established in 1984. For Adoptions, the base funding is tied to 1996-97 performance agreements. Additional funding is tied to specific programs and estimates of the costs to implement statutory requirements.

In addition to the need to establish a financial architecture and program, as well as county-specific allocations, for public safety realignment in 2012-13 and future years, additional questions about whether there are CWS-related financial and programmatic flexibilities, fiscal incentives, accountability mechanisms, and/or changes in the role of the state that should result from the realignment need to be addressed.

Sufficiency of Base Funding: In 2011 and again this year, counties and stakeholders have expressed concern that the $1.6 billion base realignment funding for CWS and adoptions programs underfunds those programs. Some of this concern stems from the above-mentioned 2009-10 veto of $80.0 million GF. Additional concerns relate to the extension of foster care services to non-minor dependents ages 18 to 21 (phased in over three years beginning January 1, 2012), which the Administration unintentionally failed to account for in its original calculations, as well as the need to fund lower social worker caseloads and cost increases related to litigation. On the other hand, the Administration indicates that the base continues to include around $70 million that the counties are no longer required to spend on the provision of residential care to students with special needs[4], as well as some funding that would have otherwise been a one-time carryover.

2012-13 Proposals: The Governor's 2012-13 budget proposes constitutional protection for revenues dedicated to the 2011 public safety realignment package and a permanent funding structure for base and growth funding. The structure would establish two accounts in the County Local Revenue Fund: 1) a Support Services Account, and 2) a Law Enforcement Services Account. The Support Services Account would contain two Subaccounts, including one for Protective Services (Child Welfare and Adult Protective Services).

The Governor proposes to allocate program growth on roughly a proportional basis first among the Accounts and then among the Subaccounts. Within each Subaccount, federally required programs would receive priority funding if

[4] As a result of budget changes in recent years, the responsibility to pay for those residential placements shifted from the counties to schools.

warranted by caseload and costs. Further, CWS would be a priority for growth once base programs are established, which over time could result in $200 million in additional funds.

The Governor also proposes some flexibility for the counties to move money among Subaccounts, including the transfer of up to 10 percent between Subaccounts within the Support Services Account. Transfers would be valid for only one year and would not increase the base of any program.

Roles of the State and Counties: Before the 2011 realignment, California already carried out the day-to-day responsibilities of its front-line CWS programs at the county level, with some variation between county programs. At the same time, DSS was responsible for oversight, statewide policy, regulation development and coordination, technical assistance, and federal compliance related to those programs. Even after this realignment, the state must maintain many of these same responsibilities to meet federal requirements. Prior to realignment, the state was also at risk for the full costs of any federally imposed penalties for failure to meet the requirements established pursuant to the Child and Family Service Reviews described earlier in this agenda. The Administration's proposals for 2012-13 do not currently include provisions to alter this financial responsibility.

In 2011, the Administration also established a goal of a 25 percent reduction in state operations costs across programs included in the 2011 realignment. The Administration has not yet proposed any related reductions in DSS staffing or operations costs. The Department indicates, however, that reductions in the adoptions program are likely to be the most notable result of realignment.

Transitions In Adoptions Programs: Before the 2011 realignment, there were seven DSS district offices that provided agency adoption services to 28 counties and independent adoption services to 55 counties. The remaining counties were licensed by DSS to provide those services directly. Thus far, 11 counties have expressed their intent to transition, at some point in 2012-13, to the use of realignment funding to directly provide adoption services that were previously provided by DSS.

Staff Comment & Recommendation: Staff recommends holding these issues open. Staff further recommends that the Subcommittee encourage the Administration to provide forthcoming proposals related to the 2011 realignment of CWS and Adoptions programs as soon as possible (and ideally before the May Revision).

Questions for the Administration & LAO:

1) Given the specificity of many federal requirements, how much financial and programmatic flexibility do the state and counties have in delivering child welfare services? What might change in the wake of realignment?

2) What changes in fiscal reporting or accountability mechanisms might be appropriate to consider in light of realignment?

3) How would the state and counties respond to a drop in the revenues dedicated to CWS under realignment? What might the impacts of such a loss in funding for these programs be?

4) How are the state and counties working to minimize any risks of disruptions to adoptions programs during impending transitions from state to county service provision?

Overview of Foster Care Placements

The next items included in this agenda relate to the use of group homes and foster family agency-certified (FFA) homes as placements for children in foster care. The use of those placement types cannot easily be addressed in isolation from the larger continuum of placement options in which they exist. This section provides some basic background on that continuum.

County child welfare and probation agencies are generally responsible for making decisions about where children in out-of-home foster care reside. DSS regulations require agencies to attempt to place children in placements along the following priority order: 1) the home of the child's noncustodial parent, relatives, or extended family members; 2) foster family homes licensed by counties or certified by foster family agencies (FFAs); 3) group homes; and 4) specialized treatment facilities. As depicted in the chart below, this is also generally the ordering of less to more costly placement types.

With funding for enhanced social work and administration to support FFA-certified homes, FFAs were created to provide an alternative to group home care. Group homes have 24-hour staffing and licensed capacities to house at least six (and in a few instances up to over 200) children. They are generally intended to provide a structured environment for children with more intensive needs. However, as discussed in further detail below, actual use of these placement types varies and sometimes depends on other factors (e.g., their ready availability or families' preferences for additional social work support).

<table>
<tr><th>Most Common Placement Types</th><th>Percent of Children in Foster Care on 1/1/12*</th><th>Range of Basic Monthly Payment Rates</th><th>Potential Supplements for Children who Qualify</th><th>Administration and Social Worker Cost Built into Rate</th></tr>
<tr><td>Kin caregiver**</td><td>33%</td><td rowspan="3">Age 0-4 -- $621
Age 15-19 -- $776</td><td rowspan="3">Age 0-19 -- $200 to $2,000</td><td>$0</td></tr>
<tr><td>Guardian</td><td>11%</td><td>$0</td></tr>
<tr><td>Foster Family Home</td><td>9%</td><td>$0</td></tr>
<tr><td>Foster Family Agency-Certified Home</td><td>26%</td><td>Age 0-4 -- $373
Age 15-19 -- $522</td><td>Age 0-4 -- $189
Age 15-19 -- $189</td><td>Age 0-4 -- $868
Age 15-19 -- $968</td></tr>
<tr><td>Group Home</td><td>10%</td><td>Level 1 -- $2,118
Level 12 -- $8,974</td><td>$0</td><td>$0</td></tr>
</table>

* This column includes both child-welfare and probation-supervised foster children.
** The Kin caregiver population that is not federally eligible for AFDC-FC instead receives a monthly TANF grant of $345 (based on a child-only CalWORKs grant).

These rates are intended to cover the costs of care and supervision. Although many other supports and services can be critical to the success of these living arrangements (e.g., mental health services for the child or family, respite care for caregivers), eligibility for those services is not generally tied to the type of placement in which a child resides. A number of recently developed or emerging programs, including wraparound and treatment foster care, attempt to improve the planning processes for integrating placements and supportive services. Additionally, the Department indicates that the settlement agreement stemming from a recent lawsuit, *Katie A. v. Bonta*, will result in improvements in access to mental health services for children in foster care.

Placement Trends: The chart below displays two point-in-time break-downs of where children in child-welfare and probation-supervised foster care were residing:

Date	# of Children in Foster Care	Proportion Living with Kin	Proportion in Licensed Foster Homes	Proportion in FFA-Certified Homes	Proportion in Group Homes
Oct. 1, 1998	117,000	39%	16%	15%	9%
Oct. 1, 2011	60,150	32%	9%	26%	10%

Staff Comment & Recommendation: This is an informational section for background and context-setting purposes. No action is required.

Questions for the Administration & LAO:

1) What opportunities does realignment present for the state and counties to change utilization of or funding for different placements (and related services) along the continuum?

2) What is the state's role in supporting the counties' efforts and ensuring that the most appropriate placements are made possible?

Group Home Rate-Setting & Reform

Budget Issue: Beginning in 2010-11, the budget has included $195.8 million ($51.7 million GF) to fund a court-ordered increase of 32 percent in the monthly payment rates for group homes. The court order also requires the state to annually adjust these rates based on the California Necessities Index. In 2012-13, group home rates are proposed to range from $2,158 to $9,146 per child, per month.

In response to this increased cost and other concerns about the use of group home placements in California, as well as the need for DSS to redirect staff toward developing alternative placement options, the 2010-11 budget included: 1) a moratorium, with some allowable exceptions, on the licensing of new group homes or approvals of rate or capacity increases for existing providers; and 2) a statutory requirement for DSS to establish a stakeholder workgroup to develop recommended revisions to the existing group home rate-setting system. The 2010-11 budget also included authority for a three-year, limited-term position and $250,000 ($125,000 GF) for consulting and contracts to support these activities.

The moratorium was subsequently extended in trailer bill language through the end of 2012. The Governor's budget proposes to make it permanent and to limit future exceptions to higher-level group homes [licensed at a Rate Classification Level (RCL) of 10 or over on a scale of one to 14]. To date, DSS has not convened the required rate-setting workgroup.

Background on Group Home Utilization & Rate-Setting: Parallel with the decline in the number of children in foster care, the number of children living in group homes has dropped in recent years (from 10,900 in 1998 to 6,100 in 2012). At the same time, as a proportion of overall foster care placements, group home placements (mainly for children ages 11 to 17) have remained steady at around six to 10 percent.

Since 1991, there have been fourteen RCLs that determine the rates of payment for individual group homes, with level one being the lowest. The RCL system is intended to measure the level and intensity of services, with increased payment based on the number of hours staff spend on child care and supervision, social work, and mental health treatment services, as well as their experience and education levels. In 2011-12, 11 percent of licensed group home beds are classified at an RCL of 9 or lower. Just over half (52 percent) are classified at an RCL of 12.

Rationale for Proposed Changes to Moratorium: DSS indicates that the existing moratorium on rate or capacity increases and the licensure of new group homes is working to contain growth in group home programs that are no longer needed and is supporting a focus on developing higher-level group home capacity for shorter stays and improved outcomes, as well as family-based alternative placements and services. The Department also indicates that the rationale for not allowing exceptions for group homes at lower RCLs is that foster youth whose needs can be met by lower level group homes should instead be served in family-based settings. From when the rate-setting moratorium was enacted through the beginning of 2012, counties have requested 28 exceptions. DSS has granted all of these exception requests (just two of which applied to expansion or new licensure of group homes below RCL 10).

The Required Workgroup & Congregate Care Reform: The Department indicates that it has not yet convened the statutorily required workgroup related to revisions in group home rate-setting because of other demands on its resources, as well as its interest in focusing first on reforms to congregate care and to the existing continuum of placement options. However, the Administration has not yet indicated its more specific goals or the anticipated timelines and key milestones related to these reform efforts, nor how and when the statutorily required rate-setting workgroup would fit into those larger efforts.

Reforms related to the use of, or measurable outcomes of, group care have been a consistent theme in child welfare in California for over a decade. There has generally been consensus that group care should be used sparingly, on a temporary basis, and when youth have a high need for structure and treatment or rehabilitation. Yet advocates and researchers continue to raise concerns that these principles are not consistently applied and that there may be other unintended consequences of the state's continued use of group home care.

Staff Comment & Recommendation: Staff recommends holding open the proposed changes to the moratorium on specified group home rate-setting activities. Staff also recommends that the Subcommittee request a more detailed report from the Administration on its reform efforts related to congregate care and other placement options, including how and when the statutorily required rate-setting workgroup will be convened.

Questions for the Administration & LAO:

1) How do the proposed changes to the moratorium support the state and counties in meeting children and youth's needs?

2) What efforts are being made to encourage the placement of more foster youth, including probation-supervised foster youth, in supported, family-based settings?

3) What does the Department hope to accomplish in its larger reform efforts and by when? When does the Department plan to convene the required group home rate-setting workgroup?

Use of Foster Family Agencies (FFAs)

Budget Issue: While the actual number of children living in homes certified by foster family agencies (FFAs)—typically private, nonprofit organizations that recruit, train, certify and support foster families—has declined from 18,000 to 15,200 in the last 12 years, the proportion of children in foster care who reside in these placements has increased from 18 to 29 percent. The Bureau of State Audits (BSA) recently released a report (available online at: http://www.bsa.ca.gov/reports/summary/2011-101.1) that concluded that this proportional increase in reliance on FFAs, which were originally intended to provide alternatives to more costly group home placements, has instead been accompanied by a drop in the use of less costly foster family homes licensed by counties. Given the difference in costs between FFA-supported placements and foster family home rates, the BSA estimated additional annual costs for foster care payments that resulted from this shift, including $61 million (all funds) in 2010.

FFA Rates: FFA rates in 2010-11 averaged $1,643 per child, per month. These rates include payments to certified foster families, as well as a 40 percent fee paid to the agencies on a monthly basis for recruitment, training, and other administration. An association of FFA providers recently filed a lawsuit alleging that FFA rates, which have been raised infrequently since 1998 and were reduced by 10 percent as a part of the 2009-10 budget, are not adequate to cover the costs of providing that care and supervision.

Use of FFAs: Children of all ages are living in FFA-certified foster homes (with the largest number between the ages of three and 10). The BSA points out in its report that DSS does not require county placing agencies to document the treatment needs of these children. Officials in the counties audited acknowledged that these needs are only one factor in making FFA placements; other factors they identified included the ability to place large sibling groups, a scarcity of licensed foster homes, and off-hour placement convenience.

Legislation from 1999 (SB 160, Chapter 50, Statutes of 1999) required research on the use of and differences between licensed foster family and FFA-certified homes. A resulting 2001 study by the University of California, Davis reviewed a sample of over 700 children in these placements and found that:

- FFA foster parents received greater support and supervision than county-licensed families. They had almost three times as frequent contact with their primary social worker and were more likely to report satisfaction with that social worker.

- Most foster parents encountered one of the systems first and stayed with it.

- Among those who were informed and who had a choice, families that opted for licensure by counties did so to avoid intense and what they perceived as intrusive supervision. Those choosing FFAs wanted the supports provided by the FFAs.

- FFA foster parents tended to be somewhat younger and more frequently married. Among licensed foster families, African Americans were over-represented, while Hispanic/Latino families were under-represented.

<u>BSA Recommendations:</u> The BSA recommends that DSS analyze FFA rates and provide reasonable supports for each component, especially administrative fees. Additionally, its report recommends that the Department create and monitor compliance with clear requirements specifying that children placed by FFAs must have elevated treatment needs that would require a group home placement if not for care provided through an FFA. Finally, the BSA recommends that county placing agencies be allowed to retain and redirect a portion of the state funds that would be saved if they are able to reduce their reliance on FFA placements (which they arguably can already do, depending on the ongoing structure of the 2011 realignment).

<u>Staff Comment & Reccomendation:</u> No specific actions are recommended at this time.

<u>Questions for the BSA, Administration & LAO:</u>

1) Please describe how FFA-certified foster homes were intended to be used and how they are being used today.

2) How are FFA rates structured? BSA: What concerns did you identify about the basis for those rates? DSS: What is your response to those concerns?

3) BSA: What are your recommendations for improving placement-related decision making, particularly with respect to the use of FFAs?

   DSS: What is your response to those recommendations and how do you see FFAs best fitting into the continuum of foster care placements available to meet children's needs?

Proposed Changes to Dual-Agency Rates

Budget Issue: The Governor's budget proposes to apply annual cost-of-living adjustments (COLAs) to monthly rates for care and supervision paid on behalf of approximately 3,100 children who are dependents who are living in foster care because of abuse or neglect and who are also eligible to receive services related to a developmental disability (or for infants and toddlers, related to a developmental delay or risk of disability). The proposal would adjust these "dual agency" rates retroactively for a 2011-12 COLA of 1.9 percent at an estimated cost of $2.0 million. The proposed 2012-13 COLA of 3.2 percent would result in additional estimated costs of $3.4 million.

Dual-Agency Rates: Dual agency rates were developed in 2007 by DSS in collaboration with stakeholders and the Department of Developmental Services. In recognition of the complex needs of children served in both systems, the basic rates paid for their care and supervision are significantly higher than other foster care rates (i.e., $2,006 per month for dual-agency children ages three and older).

Related Actions Taken Last Year and Rationale for Proposal: The 2011-12 budget increased by around 30 percent the monthly rates paid to licensed foster families. The increase, along with annual cost-of-living adjustments (COLAs), was required by a court order in *California State Foster Parent Association, et al v. John A. Wagner, et al*. Correspondingly, changes were made to related rates paid for other permanent family placements, including specified adoptions and guardianships. The Administration did not, however, identify the need to clarify how foster family home rate changes should impact rates paid on behalf of children served by both the foster care and developmental services systems until too late in last year's budget process for any changes to be fully vetted. When the issue was raised, some advocates expressed concern that dual-agency rates should increase by a parallel degree in recognition of prior-year COLAs that had not been granted and in order to maintain the degree of difference between basic and dual-agency foster family rates (in addition to increasing based on 2011-12 and future COLAs).

Staff Comment & Recommendation: Staff recommends that the Subcommittee approve the proposal to apply 2011-12 and 2012-13 COLAs to dual-agency rates.

Questions for the Administration & LAO:

1) Please briefly summarize the rationale for the proposal.

AUTOMATION ISSUES

Child Welfare Services/Case Management System (CWS/CMS)

Budget Issue: The Governor's budget proposes \$81.5 million (\$37.4 million GF) for the maintenance and operations of the Child Welfare Services/Case Management System (CWS/CMS), which is the statewide automation system that supports the state's child welfare services programs. The previously authorized development of a replacement CWS/Web system was suspended in the 2011-12 budget. A related report on next steps and a timeline for implementing any needed changes to the state's CWS automation plans was due to the Legislature in January 2012. The final report was delivered on April 18th.

Background on CWS/CMS: CWS/CMS was fully implemented and transitioned to its operational phase in 1998. DSS has overall responsibility for the system, including providing project and program direction to the Office of Systems Integration (OSI). OSI provides information technology expertise and is responsible for implementation and day-to-day operations of the system. The current contract for CWS/CMS runs through November 2016, with potential extensions of up to 3 years.

Background on CWS/Web: The CWS/Web project was initiated in order to update outdated technology, improve efficiency, and better comply with federal requirements. In the 2011-12 budget, the Governor proposed and the Legislature approved the suspension of its development to achieve cost savings. Along with this suspension, the budget included trailer bill language in Assembly Bill (AB) 106 (Chapter 32, Statutes 2011) requiring the Administration to study and report on the degree to which the CWS/CMS system: 1) complies with current law, 2) supports current CWS practice, and 3) links to other needed information. The report was also required to include recommendations about the best approach(es) and next steps for addressing any critical missing functionalities in CWS/CMS, which could include building functionality into the current system, restarting the CWS/Web procurement, or developing a new procurement. The Administration developed a CWS Automation Study Team (CAST) in response to these requirements. The CAST included representatives from DSS, OSI, and the County Welfare Directors Association. The team also consulted with legislative staff.

Staff Comment & Recommendation: Staff recommends that the Subcommittee hold this issue open.

Questions for the Administration & LAO:

1) Please summarize the results of the study and recommendations related to the current status and future plans for CWS/CMS and/or CWS/Web.

2) Has the federal government identified any system requirements that might alter the direction that the state pursues with respect to the future of CWS/CMS and/or CWS/Web?

Case Management, Information, and Payrolling System (CMIPS) II for In-Home Supportive Services (IHSS)

Budget Issue: OSI requests, in a budget change proposal, $97,968 for one limited-term Senior Information Systems Analyst to replace an expiring position. DSS requests, in a budget change proposal, $929,000 ($464,000 GF) for an additional one-year extension of eight existing limited-term positions to support development of the Case Management Information Payrolling (CMIPS) II automation system. OSI and the Department indicate that the requested positions are necessary to ensure continuity of knowledge and meet a heavy programmatic workload during the final phases of the system's development. Additionally, the Administration seeks authority to delay some project costs from the 2011-12 to the 2012-13 fiscal year.

Background on CMIPS II & Rationale for Position Requests: CMIPS is the automated, statewide system that handles payroll functions for all IHSS providers. The current vendor (formerly Electronic Data Systems, now Hewlett Packard) has operated the CMIPS system since its inception in 1979. The state has been in the process of procuring and developing a more modern CMIPS II system since 1997. According to the Department, the most recent delay in the project's scheduled completion was due in part to the vendor's technical difficulties in getting data to convert accurately from the old to the new system. The vendor has since submitted a new plan for compliance with data conversion requirements and a revised schedule.

The Administration indicates that at this point its Coordinated Care Initiative proposals, including the proposal to integrate IHSS and other long term care services and supports into Medi-Cal managed care, do not alter its planned uses for CMIPS II.

Updated Schedule for CMIPS II Implementation: The CMIPS II project has completed system design, coding, and functional testing. The project plans to complete user acceptance testing and roll-out the system to 58 counties and DSS starting in the summer of 2012, with the last phase anticipated to go live in June, 2013.

Subcommittee Staff Comment & Recommendation: Staff recommends holding this issue open, pending additional information and requests that the Administration has indicated are forthcoming in the May Revision.

Questions for the Administration & LAO:

1) Please briefly describe the need for the requested positions.

2) If some or all of the requested positions are not authorized, what would be the consequences for the IHSS program?

3) Please describe whether (and how) the roll-out schedule for CMIPS II implementation interacts with the proposed timeline for integrating long-term care supports and services into managed care under the Coordinated Care Initiative.